

DEFINITIONS AND EXPLANATIONS

Some general definitions regarding external debt and explanations relating the compilation of loans received from abroad by private sector in Turkey are presented herebelow.

I- DEFINITIONS

Residency

There are two basic concepts in the external debt definition: “**economy**” and “**residence**”. The concept of “**economy**” corresponds to a geographic territory administered by a government while the concept of “**residence**” refers to the institutional unit or an individual who regularly resides and engages in economic activities in an economic territory for more than one year.

External Debt Stock

External debt stock, at any given time, is the outstanding amount of those actual current, and not contingent, liabilities that require payment(s) of principal and/or interest by the debtor at some point(s) in the future and that are owed to nonresidents by residents of an economy.

Maturity

- **Short-term:** Original maturity of one year or less.
- **Long-term:** Original maturity of more than one year.

Interest

- **Fixed Rate:** Interest rate, which does not change during the life of the instrument as specified in the contractual agreement.
- **Variable Rate:** Interest rate, which may change during the life of the instrument subject to a reference index as specified in the contractual agreement.

II- COMPILATION OF THE EXTERNAL DEBT OF PRIVATE SECTOR IN TURKEY

1- Legal Background

With respect to the Article 17 a) of the Decree No. 32 On The Protection Of The Value Of Turkish Currency; long-term credits received from abroad by public institutions and establishments in Turkey, which are mentioned in the second and

third paragraphs of this article, are monitored by the Republic of Turkey Prime Ministry, Undersecretariat of Treasury (Treasury); while long-term credits received from abroad by residents in Turkey excluding public institutions and establishments and short-term credits received from abroad by residents in Turkey are monitored by the Central Bank of Turkey.

2- Compilation Method

Details on long and short-term loans received from abroad by private sector, which comprise information on borrower and creditor, currency denomination, disbursements, principal/interest payments and repayment schedule, are compiled via the intermediary resident banks' transaction basis reporting forms submitted to the Central Bank of Turkey.

The said transactions data are recorded in the Balance of Payments Statistics in compliance with the fifth edition of the Balance of Payments Manual (BPM5) prepared by the International Monetary Fund (IMF); whereas stocks data, which are derived from the disbursements and repayments and converted to USD by end-of-period exchange rates, are recorded in the International Investment Position and also sent to Treasury to be disseminated in the tables of "Gross External Debt Profile of Turkey" in compliance with the External Debt Statistics Guide for Compilers and Users prepared by the IMF.

III- COVERAGE AND CLASSIFICATION REGARDING DATA DISSEMINATED UNDER THE MAIN HEADING "OUTSTANDING LOANS RECEIVED FROM ABROAD BY PRIVATE SECTOR"

Coverage

- **Outstanding Long-Term Loans Received From Abroad By Private Sector**

Long-term loans and trade credits (except for the cash against delivery and acceptance credits types of payments in import financing) received from abroad and bond issues abroad by the private banks, nonbank financial corporations, nonfinancial corporations (excluding State Owned Enterprises) and households are included.

- **Outstanding Short-Term Loans Received From Abroad By Private Sector**

Short-term loans received from abroad by private banks, private nonbank financial corporations, nonfinancial corporations (excluding State Owned Enterprises) and households are included.

- **Repayment Projections of Outstanding Loans Received From Abroad by Private Sector for the Next 12 Months**

Regarding the loans received from abroad by private banks, private nonbank financial corporations, nonfinancial corporations (excluding State Owned Enterprises) and households, repayment projections of the long term loans for the next 12 months along with the repayment projections of the short-term loans are presented.

Classifications

a- By Borrower

i- Financial

- Banks: Private banks are included (Public banks are not included).

- Nonbank Financial Institutions: Financial Leasing, Insurance and Factoring companies are included.

ii- Nonfinancial: Private companies excluding State Owned Enterprises and households are included.

b- By Type

- **Loans:** Consists of funds directly lent by a nonresident creditor to a resident debtor on contractual terms with fixed or variable interest rates.

- **Bonds:** Consists of debt securities issued abroad by residents with original maturity of more than one year and with fixed interest rates or variable interest rates specified on a contractual basis.

- **Loans Received From Parent Companies and Affiliates:** Consists of loans received by the resident enterprise from the nonresident parent enterprise which

owns 10 percent or more of the shares in the resident enterprise and loans received by the resident enterprise from its nonresident affiliates.

- **Trade Credits:** Consists of liabilities arising from the direct extension of credit by suppliers (importers) to buyers (exporters) for transactions in goods. Trade-related loans provided by a third party, such as a bank, to an exporter are not included in this category but under "Loans".

Central Bank of the Republic of Turkey
Statistics Department
Balance of Payments Division